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In the

Supreme Court of the United States

October Term, 1997

Theis Research, Inc.
Petitioner

v.

Octel Communications Corporation and
Northern Telecom Inc.
Respondents

On Petition for Writ of Certiorari to
the United States Court of Appeals for the Federal Circuit

Motion for Leave to File Amici Curiae Brief and Brief in Support of Petition of Theis Research, Inc. for Writ of Certiorari

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Motion for Leave to File Amici Curiae Brief

Pursuant to Rule 37.2(b) of the Rules of this Court, the inventors and inventor-related organizations listed below respectfully move the Court for leave to file a brief amicus curiae in support of the petitioner in the above-captioned case. Petitioner's counsel has consented to the filing of this brief but the respondents' counsel have not.

The petition for certiorari demonstrates that the Federal Circuit's dysfunctional approach to patent validity questions has injected great uncertainty into the U.S. patent system. The accompanying amicus curiae brief demonstrates the importance of independent and entrepreneurial inventors to the national interest and explains the great harm to invention and technological innovation being caused by the loss of a reliable patent system.

For these reasons, as well as those set forth in the accompanying amicus brief, movants respectfully request the Court to grant their motion for leave to file the accompanying brief supporting the petition for writ of certiorari.

Amicorum counsel David Roy Pressman, who originally

joined with the other amici in submitting this motion and the accompanying brief pro se, now submits this motion and the accompanying brief as counsel of record for himself and all other amici.

June, 1998

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Introduction

The decision of the Federal Circuit in the Theis Research case crystallized the growing view among entrepreneurial inventors that a dysfunctional judiciary has rendered the United States patent system feckless and unreliable. The decision below was not an anomaly, but it was particularly discouraging to entrepreneurial inventors: Peter Theis is highly regarded by his peers; if his patents could so easily be cast aside by the courts, anyone's could. The failure of the Federal Circuit to publish its decision in this case confirmed the perception that the Federal Circuit has a dismissive attitude toward entrepreneurial inventors. The Theis decision continues a trend that–unless corrected by this Court–marks the loss of a patent system that encourages useful inventions and wealth creation. It is disheartening to inventors, who spend years of their life trying to contribute to the public good, to find their life work rendered worthless by courts that in practice give the benefit of all doubt to infringers.

Interests of the Amici Curiae

The signatories represent a variety of people and organizations that believe the entrepreneurial inventor is important to technological progress. Paul Heckel, the Founder and President of IPC, is the author of this amicus brief.[1] Other than Mr. Heckel, PEF and IPRC, the amici can't speak from personal knowledge about the below-described study of patent cases, nor do amici have expertise of the legal doctrine required to solve the problem. All of the amici attest to the importance of entrepreneurial inventors and a viable patent system to the national interest. All support the request for certiorari.

Intellectual Property Creators

Intellectual Property Creators[2] (IPC) is a non-profit or-

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1 This brief was sent in draft to counsel for petitioner for editorial comments that were incorporated where helpful. Petitioner's counsel also provided the draft of the motion for leave to file. Law Practice Interests LLC, a non-equity investor in petitioner, contributed funds used for printing expenses.

2 More information on IPC and information in support of this amicus brief can be found on the IPC website at http://www.heckel.org.

ganization of entrepreneurial inventors. It was founded in 1994 by battle scarred inventors to address public policy issues of patent legislation and enforcement. The seminal event that caused its founding was legislation introduced at the behest of multinational companies to "harmonize" the U.S. patent laws with Europe and Japan. IPC opposed such changes as they would weaken the U.S. patent system.

IPC was founded to represent the public policy interests of inventors, through the process from invention, to entrepreneurial startups and patent enforcement. IPC's interests are different from the Intellectual Property Owners and American Intellectual Property Law Association who represent large companies and major patent law firms whose priority is to protect established firms rather than encourage new invention. Three of IPC's five founding board members, Dr. Damadian, Dr. Greatbatch, and Dr. Rines, are inductees into the National Inventors Hall of Fame[3]. IPC's board members are:

- Paul Heckel, the Founder and President of IPC, is a software developer who patented his software and enforced patents on his inventions. He wrote *The Elements of Friendly Software Design*[4] and *Debunking the Software Patent Myths*[5]
- Dr. Raymond Damadian, the inventor of Magnetic Imaging[6], founded Fonar and with it the MRI industry.
- Dr. Wilson Greatbatch is the inventor of the Cardiac Pacemaker and founder of Greatbatch Industries.

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[3] A committee of 40 professional organizations select nominees for induction into the National Inventors Hall of Fame each year. (www.invent.org)

[4] Sybex, Second Edition 1991

[5] *The Communications of the ACM*, June 1992

[6] Dr. Damadian showed that cancerous tissue had different properties from non-cancerous tissue and invented the MRI machine to scan body tissue to record the variances in Nuclear Magnetic Resonance signals within the body. He. Converting the scanned signals to an image was a later contribution by some one else. See "The Pioneers of NMR and Magnetic Resonance" in *Medicine: The Story of MRI* by James Mattson and Merrill Simon, Bar-Ilan University Press, 1996.

- Dr. Robert Rines invented high definition radar and sonar. A patent lawyer, he founded the Franklin Pierce Law Center.
- Stanley Mason's many inventions include microwavable cookware, the granola bar, the shaped disposable paper diaper, and the squeezable ketchup bottle.

IPC's board voted unanimously to file this amicus.

Peter Theis is a member of IPC and was a founding board member.

Dr. Modigliani

Dr. Franco Modigliani, an inventor and patentholder, is a Nobel Laureate economist. With Robert Solow, he organized a letter to Congress, signed by 26 Nobel Laureates, on patent legislation that would affect entrepreneurial inventors.

The United Inventors Association of the USA (UIA-USA)

The United Inventors Association of the USA is an official organization of inventors groups throughout the country representing 3000 inventors. Established in 1990 at the urging of the U.S. Department of Energy, the UIA-USA is dedicated to educating creative individuals in their pursuit of developing new product concepts. It serves as an umbrella organization for many regional inventors groups throughout the country.

American College of Physician Inventors

The American College of Physician inventors is an organization of over 100 physicians who are inventors.

Other Amici

PatentEnforcement Fund (PEF) and Intellectual Property Reserve Corp. (IPRC) are companies that fund patent litigation and whose cases are included in the study reported below.

Lawrence Lockwood is the inventor in one of the cases in the study, *Lockwood v. American Airlines, Inc.*, 107 F.3d 1565 (Fed Cir. 1997, a case in which the Supreme Court had granted certiorari, 515 U.S. 112, is cited in the petition for a writ of certiorari[7].

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[7] See also *In re Lockwood*, 50 F.3d 966 (Fed. Cir. 1995)

David Pressman is a patent lawyer and the author of *Patent It Yourself*[8], a self-help book that has sold over 150,000 copies. Mr. Pressman became counsel of record when the Clerk required resubmission of this brief by counsel.

Summary of the Argument

In December 1997, Intellectual Property Creators reviewed the results of several patent cases of credible entrepreneurial inventors that it had been following and had been ultimately decided by the Federal Circuit. It was distressed that 13 of the 14 cases were ultimately decided against the inventor, thus destroying the property rights manifest in their patents. A deeper analysis showed that the courts are regularly overturning the validity of patents without substantial new evidence. The administration of patent cases by the courts has become dysfunctional. It is not fulfilling the intent of the Legislature. It is not providing justice. And it is not promoting "the progress of science and useful arts" as intended by the Framers of the Constitution. The courts are systematically destroying an important mechanism of wealth creation.

The Federal Circuit's decision in Mr. Theis' case, especially in the context of the 14 case study, sends a chilling message to entrepreneurial inventors that it is doubtful that the courts will uphold the validity of their patents. It (1) removes the incentive to bring new ideas to the marketplace, (2) erodes confidence in the justice system by the inequitable treatment of disparately financed parties, (3) deters inventors from manufacturing, marketing and licensing their technologies, (4) destroys the confidence and reliability necessary for investment in new technologies, (5) discourages inventors from enforcing their patents, and (6) vitiates the incentive to seek patent protection in favor of trade secrets, and fosters abandonment of inventions altogether. The Federal Circuit's current approach is frustrating the encouragement and promotion of the inventive process by the patent system.

The case of Theis Research appears to be an ideal case for the Court to examine these important issues; it is illustrative

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8 *Patent It Yourself* by David Pressman, 6th Edition, Nolo Press, 1997.

of many of these cases. Peter Theis is typical of the 14 inventors. He spent 25 years of his life developing advanced technologies under the patent system and introducing new technologies to the marketplace, under what he perceived to be the protection of Constitutionally based patent laws. Mr. Theis' case, and similar cases, manifest the need for an examination of standards of review and how they are being applied by the courts. Mr. Theis and other inventors deserve more than a cursory review of their cases by the Federal Circuit--particularly after the Federal Circuit turns trial courts loose to redo the patent validity determinations already made by the Patent and Trademark Office. The disposition of cases such as Mr. Theis' sends a clear and unequivocal message that the patent system is being made dysfunctional by the Federal Circuit's current approach.

The amici support Theis Research's request for certiorari. The issue of patent validity is an important one with major public policy ramifications: how the courts encourage or discourage invention, especially by entrepreneurial or non-corporate inventors. The effect of the courts' current standards, as implemented, creates a strong bias against entrepreneurial inventors. This has a chilling effect on entrepreneurial invention, the major source of important inventions.

Mr. Theis is a representative entrepreneurial inventor in that many inventors face similar fact patterns. They conceive an invention, patent it, sacrifice years, money, and effort to start a company and market products based on their invention only to have it taken without purchase of a license.

In many situations similar to the Theis case, inventors are forced into expensive protracted litigation with high powered law firms and in-house legal departments. They have their lives, health, well-being and companies ruined, their hopes and dreams destroyed, and even have their reputation besmirched by false charges of inequitable conduct. The Theis case, like others, demonstrates that a patent is often a curse in disguise and it can be dangerous to have one. As one inventor said after going through the process: "It was my life and now it's gone".

We present the results of the IPC study of 14 recent patent cases, 13 of which were decided by the Federal Circuit. The

inventor won in only one of those cases. In four of these cases[9], the inventor's patent was invalidated on the basis of the same prior art that was before the PTO when it granted the patent. The results of these cases exemplify the unfortunate experience that is repeatedly heard from entrepreneurial inventors.

The issues addressed here do not deal with the arcane details of technology or of patent law. They involve general issues of law and legal standards. Our concerns are with:

- Predictability, certainty, fairness, and timeliness of decisions
- Giving force to Constitutional and legislative intent
- Protecting the property rights of the weak against the big and strong

Our Arguments Address Important Public Policy Issues

Chief Justice Rehnquist, in his opinion concurring in part and dissenting in part in *Daubert v. Merrill Dow Pharmaceuticals, Inc*, 509 U.S. 579, 599 (1993), noted that many of the briefs were "markedly different from typical briefs, in that large parts of them do not deal with decided cases or statutory language". He seemingly approved of the amicus briefs as providing useful background. It is in that spirit that our brief is presented.

The arguments presented here are based primarily on public policy. First, we show that entrepreneurial and independent inventors play the major role in creating new technologies. Second, we show that the courts' application of current standards produces unpredictable, uncertain, untimely and biased results, at least where entrepreneurial inventors are involved. This is especially true with respect to patent validity. These results make it difficult, if not impossible, to attract investment in an important source of innovation.

We have no doubt but that if the Supreme Court grants certiorari that respected legal academics and others knowledgeable on the issues will file amicus briefs.

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[9] The authors have not been able to verify this issue with respect to all the cases and so the actual number could be 3 or even 5.

Inventors and Wealth Creation

The Importance of Technological Innovation

Invention is important. Civilization would not be possible without the invention of writing. Not only did the Founding Fathers give inventors rights to their inventions,[10] but two of them, Jefferson and Franklin[11], were substantial inventors and scientists. In 1997, the United States spent $74 billion dollars in R & D funding[12]. Early theories of economics held that wealth was created by land or by labor. As a result of Robert Solow's Nobel Prize-winning work, economists now know that wealth is created by innovation, especially technical innovation.

This means that patents are the major administrative mechanism of wealth creation. Unlike most of this Court's civil cases, which involve wealth *allocation*, the issues involving patents involve wealth *creation*.

Entrepreneurial inventors, as they don't belong to corporate organizations, are more dependent on the patent system than are other sources of invention. Their success and the entry of well financed infringers in the market will be determined by whether the courts are seen as enforcing patent rights.

Who Are Entrepreneurial Inventors?

Entrepreneurial inventors are called by many names—independent inventors, private inventors, maverick inventors, and small company inventors. We use the name entrepreneurial inventors because most of them start companies and develop and market their inventions. They are independent by nature and pursue their inventions outside of a corporate or government environment—usually in the face of conventional wisdom. They do not fit naturally in organizations and operate without corporate life support systems. They take on the financial risk of the invention and do what is necessary, from selling, to raising money, to inventing in new areas needed to support the basic invention. Most have worked for companies, universities or the

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10 U.S. Constitution, Article 1, Section 8.

11 See I. Bernard Cohen, *Science and the Founding Fathers* Norton, 1995.

12 Volume 1, Budget of the U.S. Government FY 1999, page 99.

government at some time. They are achievement oriented[13].

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13 The notion of a shift from the "garage" inventors of the past, to the modern corporate or government sponsored research, is a common error. Didn't the Wright Brothers invent the airplane in an era when government didn't fund research? Didn't the Manhattan project demonstrate the modern mode of invention where government and industry invented the atomic bomb?

The answers to both questions is an emphatic "No!". Samuel Langley received $50,000 from the U.S. Congress to develop an airplane. He failed. The New York Times on December 10, 1903, just seven days before Kitty Hawk said:

> "We hope that Professor Langley will not put his substantial greatness as a scientist in further peril by continuing to waste his time and the money involved in further air experiments. Life is short, and he is capable of services to humanity incomparably greater than can be expected to result from trying to fly. For students and investigators of the Langley type there are more useful employment's with fewer disappointments and mortifications than have been the portion of aerial navigators since the days of Iccarus."

The Atomic Bomb was invented by Leo Szilard who filed a for a patent on in early 1932. As a Hungarian Jew who saw Nazism first hand, he persisted in bringing his invention to the attention of the physics community, preparing it for when Hahn and Strassman split the atom in 1938. Szilard persuaded Einstein to write his famous letter to Roosevelt launching the Manhattan Project. (See Lanouette, William *Genius in the Shadows*, Scribners, 1992 and *Who Invented the Atomic Bomb* by Paul Heckel (at http://www.heckel.org/Heckel/szilard.htm).

Organizations are crucial to projects such as the Manhattan Project, but inventions that seed such projects are the creatures of individual minds.

The Wright brothers rejected the establishment wisdom of Langley and pursued their own concept. Szilard's ideas were first rejected by most of the physics community. Though both were right, both suffered severely at the hands of the establishment. The Wright's were forced to sue infringers; many consider Wilbur Wright's early death in 1912 to be due to the rigors of his patent infringement trials. General Groves, head of the Manhattan project, used unethical tactics to get Szilard to sign away his patents. According to Lanouette:

> "Szilard's feisty rationality clashed repeatedly with the headstrong efficiency of this West Point Graduate ... Before the war was over, Groves would try to have Szilard jailed as an "enemy alien," order agents to follow him and to open his mail, and force him off the Manhattan Project payroll during a year-long dispute over the chain reaction patent."

Entrepreneurial inventors contrast to corporate inventors who are hired to do a job that includes inventing. Corporate inventors are on salary and incur little financial risk. When the money runs out, they generally switch to a different project or company[14]. They work on projects funded by their companies—that is to say, projects that were approved by a committee and so reflect the conventional wisdom as to what to invent.

Entrepreneurial Inventors Are a Major Source of Innovation

Dr. David Hill, president of PEF, a signatory to this brief, testified to Congress as to the importance of entrepreneurial inventors.

> ... the vast majority of important inventions which create new products and lead to entirely new industries come from independent inventors working alone or in very small companies. This conclusion is thoroughly documented by Department of Commerce statistics[15].... It is true that most of the R&D expenditures are by the major companies and

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The story of these two inventors illustrate that the nature of invention is of individual achievement and persistence, rather than corporate capability. There has been a conflict between inventors and the establishment from the time of Galilio. (See *Galileo, A Life* by James Reston, Jr. HarperCollins, 1994, Page 47 [Galileo was granted a patent].)

The nature of invention has not changed in centuries for one simple reason: the nature of man has not changed. Nor has the nature of corporations changed. Nor are either likely to.

14 Some work at corporations is done by inventors pursuing their own ideas without management approval. The hard disk drive was developed at IBM in spite of orders to kill the project. Dr. Kary Mullis used his spare time to invent the Polymerase Chain Reaction that makes DNA "fingerprinting" possible while facing opposition within his company. For this he received $10,000 and a Nobel Prize; his company sold his invention for $300 million dollars. It is the predictable project that gets official support.

15 "...independent inventors (including inventor entrepreneurs) and small technologically-based companies are responsible for a remarkable percentage of the important inventions and innovations of this century—a much larger percentage than their relative investment in these actives would suggest." Technological Innovation: Its Environment and Management, U.S. Department of Commerce, January 1967, page 16. A list of 33 major inventions of entrepreneurial inventors appears on page 18 of the report.

> it is also true that many inventions are made by them and are reflected in many patents issued to them. However, the study of those patents and inventions shows that they are almost entirely improvements on existing products. Very rarely indeed does the breakthrough invention occur in work sponsored by a major corporation. It is those pioneering inventions which arise almost always with individual inventors and which are primarily responsible for the seeding and growth of our economy through the creation of new industries. Those are the inventions which we most value as a product of our Patent System[16].

In their book *The Sources of Invention*, Jewkes, Miller and Stillerman analyzed the literature on invention and did an analysis of the source of 60 inventions[17]. They quote several authorities on the importance of the individual inventor[18]. The authors make these points: (a) The sources of invention are diverse and many and all should be encouraged.[19] (b) Individual and entrepreneurial inventors are a very important source of major inventions, indeed the most important. They express concern that the move towards corporation employment of those with the ability to invent will actually discourage invention.[20] (c) Independent invention is resisted by corporations. "Genius breaks the rules and thereby confronts the institutions with challenges which may at first sight appear to constitute a danger to their very existence."[21].

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16 David Hill, in testimony before the U. S. House of Representatives Committee on the Judiciary Subcommittee on Courts and Intellectual Property, November 1, 1995.

17 David Hill, in testimony before the U. S. House of Representatives Committee on the Judiciary Subcommittee on Courts and Intellectual Property, November 1, 1995.

18 See pages 79 to 81.

19 See pages 184-186.

20 See page 182.

21 See page 183.

Robert Scott Root-Bernstein extols the value of the "maverick" and expresses the concern: "As long as ... the decisions concerning funding [are] bureaucratized, there is no hope for the maverick. He will be selected out."[22]

26 Nobel Laureates, including 10 economists, 9 chemists and 6 physicists, recently signed a letter opposing proposed legislation that would change the patent system[23]. Organized by Franco Modigliani and Robert Solow, they said the legislation

> ...will prove damaging to American small inventors and thereby discourage the flow of new inventions that have contributed so much to America's superior performance in the advancement of Science and Technology.

At IPC, we did a study in 1996 of the inventors inducted into the National Inventors Hall of Fame. We found that 55% of the inductees were entrepreneurial in that they founded companies based on their inventions. Another 5% licensed their inventions but did not play entrepreneurial roles.[24]

Entrepreneurial Invention and Corporations

Judge Howard Markey, the first Chief Judge of the Court of Appeals for the Federal Circuit said:

> Many giant corporations have no need of a patent system. They may obtain patents, but only as a defense against some little machine shop operator who might otherwise invent and patent something the public would demand and the big corporation would have to negotiate for, instead of just adding the item to its product line. Many large corporations would be glad to compete on size, nationwide service, high volume, strong finance, and prompt delivery. They can kill off smaller competitors on any of those bases, unless the small competitor has a patent on a

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22 *Discovering: Inventing and Solving Problems at the Frontiers of Scientific Knowledge*: by Robert Scott Root-Bernstein (Harvard University Press, 1989), page 376.

23 See the IPC website for the letter and the names of signers.

24 For a list of the inventors by type, see the IPC website

product somebody wants to buy.[25]

A successful invention is an attack, however unintended, on some vested interest. The genius of our Constitution is that it provides mechanisms that defuse revolutionary change and promote evolutionary change. The patent system is one such mechanism.

Lincoln, the only president to hold a patent, recognized the nature of vested interests and the importance of an independent start away from established institutions:

> In anciently inhabited countries, the dust of ages—a real downright old-fogyism—seems to settle upon, and smother the intellects and energies of man. It is in this view that I have mentioned the discovery of America as an event greatly favoring and facilitating the useful discoveries and inventions[26].

The inventor faces several problems when dealing with big company infringers:

- Many companies refuse to respect most patents.
- Inventors face not only an unending sequence of motions and delays in their cases, but their reputation is besmirched as they are frequently charged with inequitable conduct—allegedly obtaining a patent by fraud. The inventor must expend resources defending his honor which is be sullied by the charges having been made.[27]
- The economics of patent infringement is such that an infringer, by refusing to respect a competitor's patents, can (a) gain market share early when it is cheapest to acquire and (b) put financial pressure on the inventor and his company. At best the infringer wins his case and pays nothing; at

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25 Howard Markey, *Some Patent Problems –Philosophical, Philological, and Procedural,* 80 F. R. D. 203, p. 210.

26 Lecture on Discoveries and Inventions (1858), in *Lincoln, Selected Speeches and Writings* (Vintage, 1992) page 205.

27 Inequitable conduct is a matter of equity and so the inventor can lose his patent and have his reputation besmirched without a jury trial, inequitable conduct being a matter of equity. This brief's author was in court for the inequitable conduct trial of Remy Pardo and Rene Landau (*Refac v. Lotus*) and is of the opinion that justice was not served. See the IPC website.

worst he has slowed down the inventor. This happened to Dr. Damadian whose company, Fonar, was left with a 2% market share after large firms infringed his patents. As Dr. Damadian explained in his congressional testimony:

> ... I wanted fervently, in the development of the MRI, to use my invention to build a great new multi-billion dollar manufacturing enterprise for America in the same way that Edison and Bell did. I have found that even though I have now labored diligently for more than a quarter of a century, the tools for doing what Edison, Bell, Eastman and others did, no longer exist. ...[B]y ... willful patent infringements ... our innovations were stripped from us as fast as we could create them. Moreover, I believe you will not find my experience unique. Indeed I believe you will find it universal[28].

By creating a financial motivation to infringe patents, the courts promote expensive and time-consuming litigation, discourage innovation, and increase the disrespect for lawyers and the courts.

A Study of 14 Patent Lawsuits Shows Entrepreneurial Inventors Rarely Prevail

IPC recently reviewed recent 14 cases where entrepreneurial inventors tried to enforce their patents against large companies and found that in only one instance did the entrepreneurial inventor prevail. In four of these cases the patents were declared invalid based on the same prior art that was before the PTO.

The Inventor Prevailed in Only One of 14 Cases.

The inventor prevailed in only one of the 14 cases. That was the case of *Fonar Corp. v. General Electric Co.*, 107 F.3d 1543 (Fed. Cir. 1997) where the entrepreneurial inventor was Dr. Raymond Damadian, the inventor of Magnetic Resonance Imaging, and a director of IPC. Statistically, the chance of winning only one case (or none) out of 14 (assuming a 50% chance of winning each case) is about 0.09 percent, or 1 chance in

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[28] Before the Senate Intelligence Committee and Senate Judiciary Committee, February 28, 1996.

1100. In these cases, people knowledgeable about patent law were involved in making the decision to finance the litigation. What explains this highly unlikely result? Can the inventive community have faith in the courts in the face of such a result?

	Bullock	Damadian	Dargon	Evans	Goldwasser	Hazani	Kahn	Lemelson	Lockwood	Marino	Pardo Landau	Rogel	Theis	Wolstenholme	Total
IPC		*			*			*	*		*		*	*	7
IP Reserve			*						*	*					3
PatentEnforcement	*			*		*	*					*		*	6
Total Cases															**14**
Same prior art			*						*				*	*	4
Won		*													1
Lost	*		*	*	*	*	*	*	*	*	*	*	*	*	13
Assumed chance of winning each case														50%	
Chance inventors would have won only 1 of 14 times														**0.09%**	

Table 1: The 14 cases in the study

Explanations based on bad case selection or poor lawyering can explain individual cases. The only reasonable explanation for such statistical results appears to be that the process is heavily weighted against entrepreneurial inventors.

Inventors Lost All Four Cases Where a Patent's Validity Was Challenged on the Same Prior Art

In 4 of the 14 cases, a patent was found invalid on the basis of the same prior art that was before the PTO when it granted the patent[29]. This is troubling. 35 U.S.C. § 282 states

[29] In the other cases the inventor lost for a wide variety of reasons. Bullock lost because at the last minute the "infringer" introduced a Japanese prior art "translation" that said the opposite of the original Japanese. Goldwasser lost because his employer, who had a cross license with the infringer, claimed ownership of the patent. Kahn was found non-infringing based on a new interpretation of the doctrine of equivalents. Lemelson was found non-infringing on new law on claim interpretation. Marino had the District Court

that patents have a "presumption of validity." Yet, the presumably high standard of "clear and convincing evidence" to overcome the presumption[30] was found to be met without any new prior art. If the PTO and the courts simply reach different opinions of patentability, the validity of patents is uncertain and unpredictable, and the PTO becomes nothing more than a registration agency in whose decisions the public can have no confidence. This suggests that hindsight creeps into court decisions. The PTO's expertise is in avoiding hindsight[31].

The Selection of Cases for the Sample

All of these cases are ones where an entrepreneurial inventor tried to enforce his patent against a large company infringer. All the cases went to trial, and all but one resulted in a Federal Circuit decision. All had an association with IPC[32].

There are three groups of cases

- Seven of the cases[33] were followed by Paul Heckel who, had formed a personal relationship with each of the inventors

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judge tell him in front of a witness that he did not approve of inventors seeking investors in infringement lawsuits. Pardo was found to have committed inequitable conduct. Rogel lost because of laches. Dargan lost in a trial where the judge instructed the jury that it was more important to overturn a bad patent than to keep a good one. Several of these decisions deviated from precedent; and most appear questionable.

[30] A particularly troubling example of the Federal Circuits invalidating patents is the Collins patent. The estate of the inventor, Arthur Collins, sued AT&T (*Collins Licensing, L.P. v. AT&T* 11 F.3d 1072 (table)(Fed. Cir. 1993) on a patent that had been through a reexamination by the PTO and won a district court jury decision upholding the validity of the patent. Not only did the Federal Circuit invalidate the patent, it did it on a ground that was technically inaccurate.

There appear to have been few successful cases of patent litigation by entrepreneurial inventors against AT&T. AT&T is bound by the results of the Theis case.

[31] *Uniroyal, Inc. v. Rudkin-Wiley Corp*, 837 F.2d 1044, 1051 (Fed. Cir. 1988)

[32] Intellectual Property Creators identified both PEF (David Hill) and Intellectual Property Reserve Corp. (Robert Fletcher) as firms that funded patent enforcement for entrepreneurial inventors. Both Mr. Hill and Mr. Fletcher were speakers at IPC's first meeting in the summer of 1995.

[33] These cases are: *Octel Communications Corp. v. Theis, Lockwood v. American Airlines, Inc., Wolstenholme v. Countrymark Cooperative, Inc.,*

before their cases being decided by the Federal Circuit and usually before the District Court trial.

- Six of the cases[34] were financed by PEF, a firm which funds independent inventors in litigation. PEF lost all 6 cases he invested in. Dr. David Hill the President of PEF is a businessman with a technological background. He worked with Enrico Fermi to generate the first controlled chain reaction.
- Three of the cases[35] were financed by IPRC, a firm that funds patent litigation. Robert Fletcher, President of IPRC, is a patent lawyer experienced in selecting and managing patent infringement cases. He is president of a sister company, Intellectual Property Insurance Services that sells patent infringement insurance and for which he manages patent litigation. Of the 5 cases IPRC has financed, 3 have reached a resolution. The inventors lost all three[36].

Cases were included in the study based on events that occurred before litigation results were known. These are not hindsight selections. They were not selected to prove a point. Mr. Heckel's relationship with the inventors in the IPC group and Mr. Fletcher went back to 1994 or earlier and with Dr. Hill to 1995. The results of these lawsuits are shown in Table 1.

The Case Where the Inventor Prevailed Confirms the Entrepreneurial Inventor Can't Win

Dr. Damadian is the inventor of Magnetic Resonance Imaging (MRI) one of the major medical inventions of this century. Fonar won $128 million in a patent infringement lawsuit against GE (*Fonar Corp. v. General Electric*).. This case

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Fonar v. General Electric Co., Refac International, Ltd.. v. Lotus, Lemelson v. General Mills, Goldwasser v. Smith Corona Corp..

[34] *Valutron, N. V. v. NCR Corp., Evans Cooling Systems, Inc. v. General Motors, Bullock v. Owens-Corning Fiberglass Corp., Hazani v. U.S. Int. Trade Comm., Kahn v. General Motors Corp..* Also included is Wolstenholme.

[35] *IBM/ROLM v. Dargan, Marino v. Marchon,* and *Lockwood v. American Airlines, Inc.*

[36] In one of the cases, Marino, the inventor was awarded $1.8 million in a jury trial but the judge reduced the amount to $219,000. Since the inventor never received a penny and was forced into bankruptcy, we consider that case a loss.

would seem to suggest that inventors prevail sometimes. But things are not as they appear. This is Dr. Damadian's second patent infringement lawsuit. He won a jury verdict in 1987, in *Fonar Corp. v. Johnson & Johnson*[37], but this verdict was overturned on a JNOV which was sustained by the Federal Circuit.

After losing the lawsuit, Dr. Damadian was awarded the National Medal of Technology in 1988 by President Reagan and inducted into the National Inventors Hall of Fame in 1989. This made him an establishment figure and so he was no longer seen by the courts and the big companies as an entrepreneurial inventor, When he sued General Electric on the same patents in same issues, he won his case. There are few inventors whose inventions meet this standard of establishment recognition. If, as Dr. Damadian's case suggests, the way to win a patent case is to become part of the establishment, isn't that setting the barrier too high? But entrepreneurial inventors are mavericks; they are not part of the establishment; they are even born to rebel[38]. The entrepreneurial inventor is caught in a Catch 22.

The Federal Circuit Micromanages PTO Patentability Determinations

Currently, the Federal Circuit is micromanaging patent validity determinations by the Patent and Trademark Office. Patent cases comprise only about 1/3 of the Federal Circuit's caseload. Few of the judges are expert in the technology or even come to the bench with expertise in patent law. Yet the courts through validity decisions are routinely overriding PTO determinations of patentability. In *Deference, Defiance and the Useful Arts,* Professor Craig Allen Nard argues, as does the Theis petition, that the courts should give the PTO deference

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[37] 821 F.2d 627 (Fed. Cir. 1987) *disapproved in part by Cardinal Chemical Co. v. Morton International, Inc,* 508 U.S. 83 (1993).

[38] *Born to Rebel* by Frank J. Sulloway, Pantheon, 1996. Dr. Sulloway compiles impressive evidence that first born's support the status quo, while younger children rebel against it. In Chapter 2, for example, he shows that later borns are more likely to create scientific and technical revolutions.

under *Chevron U.S.A. v Natural Res. Def Council*, 467 U.S. 83 (1993). He concludes his scholarly analysis with:

> ...I have asserted that the Federal Circuit's standards of review and its "traditional tools of statutory construction" result in a less than optimal balance of interpretive power between itself and the PTO. The Chevron decision dictates that the Federal Circuit dispense with its de novo review and apply the Chevron two-step to questions of patent validity, especially those involving a non-obviousness determination. Furthermore, *Overton Park*, *State Farm* and §706(2)(A) of the APA strongly suggests that the court stop treating the PTO as if it were an Article III court, and apply the "arbitrary and capricious" test when reviewing the fact findings of the PTO. ... Lastly I have argued that there are four policy considerations which suggest that the Federal Circuit should be more deferential to the PTO. ...

Shouldn't the Federal Circuit's role be an oversight role rather than one of micromanagement? That would allow it to focus on the important issues and provide a more thoughtful review of district court decisions. Table 2 suggests that if deference is given to the patent validity determinations of the PTO, the result will be fewer incorrect decisions, and, such decisions occurring earlier, will result in less damage to litigants.

An accused infringer who wishes to challenge a patent's validity based on prior art that was not before the PTO should have to request a reexamination by the PTO and the courts should stay any litigation until such is complete. Currently, any infringer will always be able to find some scintilla of evidence that was not considered by the PTO from which to argue invalidity in court. Once a patent issues, anyone can request that it be reexamined by the PTO. Currently the PTO routinely reexamine patents involved in litigation, so no new mechanisms need to be created.

Norbert Wiener, the late Institute Professor at MIT and inventor of the field of cybernetics wrote in his book *Invention*,

The Care And Feeding Of Ideas[39].:

> I am quite willing to admit that one main object of the law is not theoretical justice but a determination of rights such as the right of ownership, which would preclude later bickering and which will give a decision that is unequivocal and irrevocable, whether or not it can be based on abstract principles of justice. However, when a law is based on a theory of what has actually happened, which does not fit the facts, it is hard or even impossible to adjudicate disputes in an impartial way. The pressure of power, riches, and the ability to use these for the employment of the best legal talent is almost certain to dominate the final decision..

Conclusion

The courts ruling against entrepreneurial inventors at an extremely high rate, even invalidating patents where all of the material prior art was before the PTO when it made its patentability determinations. The results of the 14 sample cases suggest to an unbiased observer that the results of the courts' verdicts in patent cases are strongly biased against entrepreneurial inventors. The unpredictability and capriciousness of court decisions in patent cases, especially with regards to patent validity, is damaging entrepreneurial inventors and the most important source of innovation and wealth creation in the United States.

The Theis Research case presents an excellent opportunity for the Court to restore integrity to the patent system and the encouragement of entrepreneurial invention that the Founders and Congress intended to foster.

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[39] The MIT Press, 1993, page 133.

	Federal Circuit	District Courts	PTO
Patent Law Expertise	Much (Most not patent lawyers)	Little	High
Technical Expertise	Minority	Little	High
Specialization	Some	geographic	By technology
Consistency mechanisms	Deference to Supreme Court and Federal Circuit	Deference to Supreme Court and Federal Circuit	A pyramid of specialized examining groups with management mechanisms to ensure inter-group consistency.
Percent patent cases	About 35%	Maybe 2%	100%
Distance in Time and Circumstances from invention	Usually at least a decade after the invention was made.	Usually at least a decade after the invention was made.	Most are done within 2 or 3 years. Reexaminations usually occur, before invention becomes commonplace.
Prone to using hindsight	Yes	Yes	Not with original examination. Often on reexaminations.

Table 2: Comparison of Decision-making Entities